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Doha round too important to fail, trade representative says

The following op-ed by U.S. Trade Representative Susan Schwab was published June 29 in The Wall Street Journal and is in the public domain. There are no republication restrictions.

(begin byliner)

More Trade, Less Poverty

By SUSAN SCHWAB
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GENEVA -- The atmosphere is charged with political pressure and historical significance as trade ministers and negotiators representing World Trade Organization members gather this week. With time running out for a successful conclusion of the Doha Development Round, speculation has intensified about what the U.S. and other WTO members will be willing to do to achieve success. I reaffirm here that the U.S. is committed to an ambitious and comprehensive outcome by the end of the year. As President Bush declared last week at the U.S.-EU summit, the Doha Round is too important to fail.

We regard it as our generation's opportunity to attack the scourge of poverty by opening trade flows between all nations in agricultural goods, industrial products

and services. Half-measures that would leave millions in poverty -- people who might otherwise have been helped -- and that would dampen potential economic opportunities for people in all countries, should not be acceptable.

Economists have determined over and over again that the more ambitious the opening of trade flows, the greater the results. The data also make it clear that the most effective way for developed countries to assist developing countries through trade is to lower agricultural tariffs.

Earlier this month, the Organization for Economic Cooperation and Development issued a study that looked at the impact of 50 percent cuts in tariffs, agricultural export subsidies, and domestic support programs of OECD countries. The study concluded that this degree of trade liberalization in agricultural goods alone would account for 59 percent of the total potential global economic gains from expanded trade in all types of goods.

But more importantly, the OECD study, like a comparable World Bank study, concluded that market access -- meaning tariff cuts -- accounted for the lion's share, or nearly 79 percent, of the potential benefits of agricultural trade liberalization. These and other studies have buttressed U.S. determination to keep WTO members focused on making meaningful improvements in agricultural market access. Simply stated, that is where the gains are for developing countries.

Of course, expanded market access is not solely the burden of developed countries. Developing countries, particularly the more advanced developing countries, must also muster the political will to bring down barriers. This applies across all sectors as well. As important as agriculture is to the Doha Round negotiations, we must remember that 75 percent of annual global trade is in manufactured goods.

The record on how trade can spur development is compelling. The World Bank has estimated that, in the 1990s, per capita real income grew three times faster for developing countries that significantly lowered trade barriers (5 percent) than for other developing countries that lowered barriers less (1.4 percent). Just as important, the income gains were enjoyed by people at all income levels.

The World Bank also estimates that eliminating trade barriers in goods alone (not including trade in the rapidly growing services sector), could boost incomes in developing countries by at least \$142 billion a year.

That figure exceeds the combined total of \$80 billion in foreign economic assistance by G-7 countries last year and a current G-7 proposal for \$42 billion for developing country debt relief. Right now, around 70 percent of the duties on goods that developing countries pay go to other developing countries. The only way for the development potential so clearly evidenced by the World Bank studies to be realized is for these tariffs to come down to promote further South-South trade.

The United States put forward an offer last fall to make meaningful cuts in trade-distorting domestic agricultural supports if other countries would reciprocate with deep cuts in tariffs and trade-distorting domestic support. So far, our trading partners have not matched our ambition -- but it is not too late.

Multilateral trade rounds over the last 60 years have led us to this week. The need for meaningful trade liberalization has never been greater and the potential benefits of expanded trade have never been more compelling.

Ms. Schwab is U.S. trade representative.
(end byliner)

AS WTO MEETINGS BEGIN, U.S. STILL INSISTS ON BIGGER TARIFF CUTS

Geneva session viewed as crucial for advancing long-stalled negotiations

By Bruce Odessey
Washington File Staff Writer

Washington -- U.S. officials in Geneva for crucial World Trade Organization (WTO) negotiations say they are still waiting for other countries to offer agricultural and industrial tariff cuts that would lead to increased trade.

They talked with reporters in Washington following their June 29 meeting with representatives from the European Union (EU), Australia, Brazil, India and Japan.

"We haven't seen the kind of access we need yet," said one official, who spoke on the condition of anonymity.

The WTO negotiations, formally called the Doha Development Agenda, have stalled almost since their launch in 2001 over politically difficult agricultural issues.

The U.S. side submitted in October 2005 what it views as an ambitious proposal for drastically cutting agricultural tariffs an average 66 percent and sharply reducing U.S. and EU domestic-subsidy spending on their farmers.

A proposal from the G20 group of developing countries for an average 54-percent tariff cut was viewed by U.S. officials as inadequate; they said a 39-percent cut offered by the EU, combined with proposed exceptions, would amount to no new market access.

"We can't avoid the basic point that we've all committed to an ambitious round," one official said. Similarly, another U.S. official dismissed as inadequate a proposal floated by WTO Director-General Pascal Lamy that would require rapidly growing developing countries, such as Brazil and India, to cut industrial tariffs much less than the United States proposes.

At issue is what is called a Swiss formula, a progressive formula for cutting high tariffs more than low tariffs. In the formula, the higher the value of a number called the Swiss coefficient, the smaller the resulting tariff cut. For the more rapidly growing developing countries, Lamy suggested a coefficient of 20, requiring much smaller cuts than the coefficient of 15 proposed by the United States. "We have ... in no uncertain terms told him that ... that doesn't do it for us," the official said, "and we don't think it really is the number that helps developing countries stimulate trade between themselves."

The United States has proposed a coefficient of 10 for developed countries, taking average U.S. industrial tariffs down to 2.1 percent with peak tariffs of 8.5 percent on only three products. By contrast, a coefficient of 15 for developing countries would still allow average tariffs seven times higher for India, five times for Venezuela and four times for Brazil and Egypt without even calculating exceptions for individual products.

Under Lamy's proposal, the official said, Brazil and India would not have to cut at all half of their highest tariffs and their other tariffs would drop on average only 10 percent.

"That would be five years of negotiating for 10-percent cuts on half of the developing country lines, which is not really much of a round," the official said.

More than 30 trade ministers are attending a series of WTO meetings in Geneva June 29 through July 2. The WTO goal is to complete the complex negotiations on agriculture, industrial goods, services and several other issues by the end of 2006.

As the Geneva sessions began, the EU and major developing countries were still demanding that the United States offer to cut its domestic support for farmers even further while they continued to resist cutting their tariffs any more.

"If the European Union comes here not prepared to move at all, we will not conclude the negotiations," one U.S. official said earlier June 29 to reporters in Geneva. "We still have several days here, and we can test that out." The U.S. agriculture offer from October for a 60-percent cut in the most trade-distorting domestic support for farmers, called the amber box category, would lower the ceiling on U.S.-allowed annual spending from \$19.1 billion to \$7.6 billion. Actual U.S. 2005 amber box spending amounted to more than \$12 billion, less than half the level of similar EU spending.

"We've got a very strong proposal on the table that delivers on market access, on export competition," the U.S. official said. "We're definitely not looking at lowering our ambition as we go forward here."

U.N. AGENCIES WILL GAIN FROM PRIVATE AMERICAN DONATION, U.N. SAYS

Investor Buffett gives \$31 billion to Bill and Melinda Gates Foundation

By Carolee Walker
Washington File Staff Writer

Washington -- American investor Warren Buffett's \$31 billion donation to the Bill and Melinda Gates Foundation is a generous and welcome gift, said Stephane Dujarric, spokesman for U.N. Secretary-General Kofi Annan, in a briefing on June 27.

"The Secretary-General has always encouraged increased partnerships with civil society and the private sector, to provide additional resources for humanitarian and development actions," Dujarric said.

The Gates Foundation, which was started by Bill and Melinda Gates, supports health-related initiatives around the world, including HIV/AIDS education and vaccine research. Gates is the founder of Microsoft Corporation. The organization works closely with a number of U.N. agencies, including the World Health Organization. Warren Buffett, investor and chair of Berkshire Hathaway investment company, has been a friend of Gates's since the early 1990s, according to published reports. With Buffett's donation to the Bill and Melinda Gates Foundation, Buffett will become a trustee of the Seattle-based foundation. Gates is a member of the board of Berkshire Hathaway.

"The United States lives and flourishes in a global economy," wrote Steven Gunderson, in an article in the May State Department electronic journal, Giving: U.S. Philanthropy. "As a result, American philanthropy is increasingly global."

According to Gunderson, engaging in the global community requires partnerships with "philanthropic colleagues all over the world." For example, the U.S. Agency for International Development's Global Development Alliance comprises more than 1,400 organizations, including international and local businesses, private foundations, nongovernmental organizations (NGOs), and governments in 97 countries. The alliance is dedicated to improving economic growth, addressing health and environmental issues and expanding access to education and technology.

During 2004, U.S. NGOs donated at least \$6.8 billion to developing countries. The Hudson Institute's Center for Global Prosperity report, called the Index on Global Philanthropy (PDF, 83 pages), tallied \$71 billion in international donations by U.S. private charities, religious organizations, universities, corporations, foundations and immigrants sending money home in 2004.

Bill and Melinda Gates Foundation has an endowment of \$30.6 billion. Buffett's donation would make it possible for the foundation to double its efforts bringing medical research and healthcare advances to developing countries. In the United States, the Gates Foundation supports public education programs and technology in public libraries. Additional information is available on the foundation's Web site.

See also a State Department fact sheet on the United States and international development, available on the department's Web site.

INTELLECTUAL PROPERTY LAWS BENEFIT ALL NATIONS, U.S. EXPERTS SAY

IPR creates legal infrastructure that allows businesses to flourish

By Jane Morse
Washington File Staff Writer

Washington -- Laws protecting intellectual property rights (IPR) are beneficial for all countries, regardless of their level of development, U.S. experts say.

IPR, the experts say, creates "a legal infrastructure that allows business to flourish. In this regard, IPR contributes towards development."

Officials from the United States Patent and Trademark Office (USPTO) answered questions from business leaders, students, IPR experts and others in India during a June 29 webchat hosted by the U.S. Department of State.

Representing the USPTO were Dominic Keating, a patent attorney, Ann Chaitovitz, who specializes in copyright law, Jonathan Tracy, an expert in intellectual property enforcement issues for the Middle East and South Asia regions, and Nancy Omelko, a trademark-examining attorney. The USPTO group provided responses collectively to questions on various aspects of IPR.

"IPR is very important in the United States," the USPTO team said. "It supports the highest growing industries, creates many jobs and incentivizes new inventions and creative works." The officials noted that IPR is a form of personal property that can be sold or conveyed.

In discussions regarding the balance between IPR and the public interest, especially in the area of health care, the USPTO team was adamant. "Intellectual property rights provide incentives that make new medicines and other life-saving inventions available," they said.